REMARKS

I. Status Of Claims

Claims 1-21 are pending.

Claims 1-21 stand rejected.

Claims 1 has been amended.

Claims 22-25 are new.

No new matter has been added.

II. Remarks/Arguments

Reconsideration of the application in view of the following remarks is requested. No new matter has been added by the amendments to the claims. Applicant further submits that the substance of the originally filed claims 1-21 has not been amended and not been made to overcome any prior art cited by the examiner. Accordingly, the amendments made are not related to patentability and do not alter or limit the substance of the subject matter claimed.

III. Rejection Under 35 USC 101

The applicant appreciates the examiner calling attention to the originally submitted claims as directed to non-statutory subject matter. Applicant's invention is structured within a programmed computer and associated methods as carried out by a program and a computer and as such has amended the claims to draw the invention within the technical arts and to emphasize that the invention produces a useful, concrete, and tangible result.

IV. Rejection Under 35 USC §103

The examiner has rejected claims 1-21 under 35 USC §103(a) as being unpatentable over Mutch's article Risk & Insurance; Technology: Unlocking the Neural Network" (Jan. 1999) in view of Hann's article High-tech sleuths (Nov. 1998).

The references cited, individually or in combination, contrary to the examiner's position, do not teach, disclose, or provide the motivation for one skilled in the art to develop the novel features of the present invention as suggested by the examiner, as will be shown.

A claimed invention is *prima facie* obvious when three basic criteria are met. First, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine the teachings therein. Second, there must be a reasonable expectation of success. And, third, the prior art reference or combined references must teach or suggest all the claim limitations.

According to the Examiner Mutch discloses "computerized" but does not disclose "the steps of" and "outputting the resulting value". Further according to the Examiner the element of "outputting the resulting value" is provided by Hann because Hann makes the statement "Fraudulent claims in workers' compensation "easily outstrip those in other lines of business, " according to the report.".

The test for obviousness fails because neither prior art reference or combined references teach or suggest all the claim limitations in the present invention. Respectfully, the fact that an article (in this case in connection with neural networks and ***not*** the subject of the present invention) uses the word "computerized" does not remove the requirement that the claimed elements of the present invention must be present in one of the references. Neither reference alone of in combination disclose:

receiving data indicative of a plurality of claims;

automatically calculating a base score to identify select ones of the claims which demonstrate at least a given probability of expected subrogation recovery dependently upon the received data;

automatically identifying risk factors for each of the select claims; and,

automatically scoring each of the select claims dependently upon the base scores and identified risk factors to provide a value indicative of an expected subrogation recovery.

The foregoing elements must be present in either of the references and they are not.

Respectfully, the fact that an article uses the assertion: "Fraudulent claims in workers' compensation "easily outstrip those in other lines of business, " according to the report." does not remove the requirement that this be shown to relate to the element of "outputting the

resulting value". In fact the Hann article deals with fraud management and not subrogation which is the assumption by a third party (as a second creditor or an insurance company) of another persons legal right to collect a debt or damage award.

Mutch mentions subrogation once but does not further mention what a system or method must include:

> "Predictive software solutions can be deployed in risk management and insurance in most situations in which decisions need to be made based on a large volume of data. For example, predictive software solutions can be developed to: ...Determine the potential for subrogation on medical, auto, and other types of claims."

Subrogation is an activity or a business distinct from any of the activities that Hann discloses. Neither reference deals deal with what a system that deals with this aspect of insurance must include insofar as its elements

In the present invention, it is assumed that an insurance policy, under which a claim is made, contains a right of subrogation in favor of the insurance company, not the insured or anyone claiming under the indemnity provisions of the insurance policy. This is nearly always the case in auto insurance. Insurance companies often pay out the claim to the insured and then pursue the legally liable party to recoup the insurance company's costs and expenses. In some instances the right of recovery is transferred to others who may provide services of pursuing the legally liable parties and share the recovery with the insurance companies. Whether an insurance company pursues the legally liable party or it retains an agent for the insurance company pursues depends on whether the insurance company and often the agent believes that the effort will be successful. In order to accomplish this, the current invention reduces the decision making to an analysis of factors in terms of probabilities, which it rank orders on the basis of a base score and identified risk factors. Neither Hann nor Mutch teach this concept, even in the remotest way.

With regard to claim 1, this claim teaches a system receiving data indicative of a plurality of claims; automatically calculating a base score to identify select ones of the claims which demonstrate at least a given probability of expected subrogation recovery dependently upon the

received data. Neither Mutch nor Hann disclose a calculating a base score to identify select ones of the claims which demonstrate at least a ***given probability of expected subrogation recovery***.

Claim 2 depends on an allowable base claim, and is therefore allowable. However, claim 2 in addition looks for a subrogation recovery strategy recommendation and the recovery specialist checklists to optimize steps taken to recovery losses at minimum expense relate to subrogation. Neither Hann nor Mutch however, discloses a system and method for subrogation recovery and there would be no motivation to include a part of the insurance system that is missing from the referenced systems. Additionally, the third prong of the obviousness test fails because the prior art reference or combined references do not teach or suggest all the claim limitations in claim 2.

Claim 3 depends on an allowable base claim, and is therefore allowable. However, claim 3 in addition looks to receiving the data in electronic form for subrogation recovery. Neither Hann nor Mutch disclose a system and method for subrogation recovery and there would be no motivation to include a part of the insurance system that is missing from the referenced systems. Additionally, the third prong of the obviousness test fails because the prior art reference or combined references do not teach or suggest all the claim limitations in claim 3.

Claim 3 depends on an allowable base claim, and is therefore allowable. However, Claim 3 in addition looks to receiving the data in electronic form for subrogation recovery. Neither Hann nor Mutch discloses a system and method for subrogation recovery and there would be no motivation to include a part of the insurance system that is missing from the referenced systems. Additionally, the third prong of the obviousness test fails because the prior art reference or combined references do not teach or suggest all the claim limitations in claim 3.

Claim 4 depends on an allowable base claim, and is therefore allowable. However, Claim 4 in addition looks to providing a user interface; and extracting the data from the user interface for subrogation recovery. Neither of the references Hann nor Mutch discloses a system and method for subrogation recovery; consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references. Additionally, the third prong of the obviousness test fails because the prior art reference or combined references do not teach or suggest all the claim limitations in claim 4.

Claim 5 depends on an allowable base claim, and is therefore allowable. However, Claim 5 in addition looks to calculating the base score comprises calculating a likelihood a payment will be made by a legally liable party for subrogation recovery. Neither of the references Hann nor Mutch Freedman mentions "likelihood of payment" or the variant probability either in connection with subrogation or otherwise, consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references. Additionally, the third prong of the obviousness test fails because the prior art reference or combined references do not teach or suggest all the claim limitations in claim 5.

Claim 6 depends on an allowable base claim, and is therefore allowable. However, Claim 6 in addition calculate a probable percentage of losses recovered through payments received form said legally liable party for subrogation recovery. Neither of the references Hann nor Mutch mentions "likelihood of payment" or the variant probability either in connection with subrogation, consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references. Additionally, the third prong of the obviousness test fails because the prior art reference or combined references do not teach or suggest all the claim limitations in claim 6.

In response to what is to follow, we need to distinguish the various definitions that apply to the word "claim". Clearly in some instances it means the claim in the patent. In other instances it refers to a claim for recovery under and insurance policy by an insured. Finally, and most frequently in regards to the present invention the word "claim" refers to a subrogation claim. A claim by an insured and a subrogation claim by the insurance company are distinct legal rights, typically stemming from contract law.

Claim 7 depends on an allowable base claim, and is therefore allowable. However, Claim 7 in addition identifies at least one economic factor pertinent to said base score; and calculates a first adjustment dependently upon said identified at least one economic factor for subrogation recovery. Neither Hann nor Mutch identifies an economic factor pertinent to a base score, it is not in the context of subrogation. Consequently, there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references. Additionally, the third prong of the obviousness test fails

because the prior art reference or combined references do not teach or suggest all the claim limitations in claim 7.

Claim 8 depends on an allowable base claim, and is therefore allowable. However, Claim 8 in addition looks to identifying one collection efficiency or strategy pertinent to said base score; and calculating a second adjustment dependently upon said identified one collection efficiency or strategy for subrogation recovery. Neither of the references Hann nor Mutch mentions either identifying one collection connection with subrogation and calculating a second adjustment dependently upon said identified one collection efficiency, consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references. Consequently, there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references. Additionally, the third prong of the obviousness test fails because the prior art reference or combined references do not teach or suggest all the claim limitations in claim 8.

Claim 9 depends on an allowable base claim, and is therefore allowable. However, Claim 9 in addition looks to a base score using said calculated likelihood a payment will be made, calculated probable percentage of losses recovered, calculated first adjustment and calculated second adjustment for subrogation recovery. Neither Hann nor Mutch mention calculating a base score using a calculated likelihood of payment, consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references. Additionally, the third prong of the obviousness test fails because the prior art reference or combined references do not teach or suggest all the claim limitations in claim 9.

Claim 10 depends on an allowable base claim, and is therefore allowable. However, Claim 10 in addition looks risk factors are identified using additional data from at least one external database for subrogation recovery. Neither Hann nor Mutch identifies the risk factors using at leas one external data base, consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references. Additionally, the third prong of the obviousness test fails because the prior art reference or combined references do not teach or suggest all the claim limitations in claim 10.

Claim 11 depends on an allowable base claim, and is therefore allowable. However, Claim 11 in addition looks to risk factors address recovery expectations due to limitations of legal process (typically a statute of limitations) arising from state prohibitions for subrogation recovery. Neither Hann nor Mutch address recovery expectations due to limitations of legal process, consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references. Additionally, the third prong of the obviousness test fails because the prior art reference or combined references do not teach or suggest all the claim limitations in claim 11.

Claim 12 depends on an allowable base claim, and is therefore allowable. However, Claim 12 in addition looks to risk factors address recovery expectations due to state recovery limitations based on a said legally liable party's culpability for subrogation recovery. Neither Hann nor Mutch address recovery expectations due to limitations of legal process in connection with subrogation recovery, consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references. Additionally, the third prong of the obviousness test fails because the prior art reference or combined references do not teach or suggest all the claim limitations in claim 12.

Claim 13 depends on an allowable base claim, and is therefore allowable. However, Claim 13 in addition addresses if other agencies have attempted and failed to recover on the subrogation claim, and where the agencies are selected to include attorneys, in house efforts or outside agents for subrogation recovery. Neither Hann nor Mutch disclose this step, consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references.

Claim 14 depends on an allowable base claim, and is therefore allowable. However, Claim 14 in addition looks to risk factors address expected difficulties is locating said legally liable party for subrogation recovery. Neither Hann nor Mutch disclose listing one or more convenient locations, consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references.

Claim 15 depends on an allowable base claim, and is therefore allowable. However, Claim 15 in addition looks to risk factors group consisting of: expectations due to limitations of

legal process arising from state prohibitions, recovery expectations due to state recovery limitations based on a said legally liable party's culpability, if other agencies have attempted and failed to recover on the claim, and expected difficulties is locating said legally liable party. Neither Hann nor Mutch make obvious this invention since the prior art reference or combined references do not teach or suggest all the claim limitations in claim 15.

As regards Claims 16-17 each depends on an allowable base claim, and is therefore allowable. Claim 16 in addition looks to risk factors address expected difficulties is locating said legally liable party for subrogation recovery. Claim 17 looks at establishing a quantified values factor in expected collection expenses Each of these are important to subrogation success. Neither Hann nor Mutch disclose these limitations, consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references.

As regards Claims 18 each depends on an allowable base claim, and is therefore allowable. Claim 18 in regards to subrogation looks to calculating a liquidation value for said claim for each specified period of time; calculating an expected expense value for said claim for each specified period of time; and, calculating an quantified value for each specified period of time using said calculated liquidation and expected expense values. Neither Hann nor Mutch disclose these limitations and consequently there would be no motivation by one skill in the art at the time of the invention to include validating a payment in a system designed for collecting on subrogation.

As regards Claims 19-20 each depends on an allowable base claim, and is therefore allowable. However, Claim 19 discounts said quantified values to provide net liquidation values for each specified time period. Claim 20 automatically calculates an expected probability a legally liable party will make a payment Each of these are important to subrogation success. Neither Hann nor Mutch discloses these limitations and consequently there would be no motivation by one skill in the art at the time of the invention to include that part of the insurance system (i.e. subrogation) that was missing from the references.

As regards Claim 21 the present invention is drawn to a sequence of directions for automatically calculating a base score to identify select ones of the claims which demonstrate at least a given probability of expected subrogation recovery dependently upon the received data using said at least one computing device; a sequence of directions for automatically

identifying risk factors for each of the select claims using said at least one computing device; and, a sequence of directions for automatically scoring each of the select claims dependently upon the base scores and identified risk factors to provide a value indicative of an expected subrogation recovery. Each of these sequences are important to subrogation success. Neither Hann nor Mutch discloses these limitations and consequently there would be no motivation by one skill in the art at the time of the invention to include theses sequences. Freeman does not include them because they would not apply in the insurance system it disclosed. Such calculations as base score only apply to subrogation and this feature is missing from the references.

In Yamanouchi Pharmaceutical Co. v. Danbury Pharmacal, Inc., 231 F. 3d 1339, 56 USPQ2d 1641 (Fed. Cir. 2000), the court reflected on the importance of suggestion or motivation to combine references in an obviousness analysis by stating:

> an examiner ... may often find every element of a claimed invention in the prior art. If identification of each claimed element of the prior art was sufficient to negate patentability, very few patents would ever issue. Furthermore rejecting patents solely by finding prior art corollaries for the claimed elements would permit an examiner ... to use the claimed invention itself as a blueprint for piecing together elements in the prior art to defeat the patentability of the claimed invention ... To counter this potential weakness in the obviousness construct, the suggestion to combine requirements stands as a critical safeguard against hindsight analysis and rote application of the legal test for obviousness. Id. at 1644, quoting *In re Rouffet*, 149 F.3d 1350, 1357-58, 47 USPQ 2d 1453, 1457 (Fed. Cir. 1998)

Applicant respectfully submits that the examiner has impermissibly used the instant invention as a blueprint to modify Hann nor Mutch to include the claimed elements but has still failed to show how the combined invention includes each of the elements claimed.

With regard to claims dependent from claim 1, these claims were rejected based in part on the same reason for rejecting claim 1. However, having shown that the present invention, as

recited in claim 1, is non-obvious in view of the references cited, applicant submits that these dependent claims are also not obvious, and are allowable, by virtue of their dependence upon an allowable base claim.

Applicant submits that the reasons for the examiner's rejection of the claims have been overcome and can no longer be sustained. Applicant respectfully requests reconsideration, withdrawal of the rejection and allowance of the claims.

V. Claim Amendments

Applicant has submitted amendments to the claims to more clearly state the invention for purposes of overcoming the rejection under 35 U.S.C. 101. No new matter has been added by the amendments to the claims. The amendments made are not related to patentability and do not alter or limit the substance of the subject matter claimed. Applicant respectfully disagrees with and explicitly traverses the examiner's re-stated reasons for rejecting the claims. However, in the interest of advancing the prosecution of this matter, applicant has amended the claims to more clearly state the invention. Applicant believes that the present invention is not obvious in view of the references cited by the examiner.

VI. Conclusion

Having addressed the examiner's rejection of the claims under 35 U.S.C. 101 and 35 USC §103, applicant submits that the reasons for the examiner's rejection have been overcome and can no longer be sustained. Applicant respectfully requests reconsideration, withdrawal of the objection and rejection and that a Notice of Allowance regarding claims 1-21 be issued.

If the examiner believes that the prosecution of this matter may be advanced by a telephone call, the examiner is invited to contact applicant's attorney at the telephone number indicated below.

V. Fees

The Commissioner for Patents is hereby authorized to charge any additional fees or credit any excess payment that may be associated with this communication to Duane Morris LLP deposit account **04-1679.**

Respectfully submitted,

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